



FLORENCE P. BELSER
GENERAL COUNSEL

October 17, 2006

Charles L A Terreni
Chief Clerk
South Carolina Public Service Commission
101 Executive Center Dr.
Columbia, SC

Re: Petition of Piedmont Natural Gas Company, Inc. for Authority to Place Certain Asset Retirement Obligation Costs in a Deferred Account.
Docket No. 2006-296-G

Dear Mr. Terreni,

The Office of Regulatory Staff ("ORS") has received, and had the opportunity to review, the above referenced filing made by Piedmont Natural Gas Company, Inc. ("PNG").

As stated in PNG's filing, the Financial Accounting Standard Board's ("FASB") Statement No. 143, as clarified by FASB Interpretation No. 47 ("FIN 47"), requires PNG to recognize an Asset Retirement Obligation ("ARO") relative to its gas transmission, distribution, and service lines. ORS agrees with PNG's assertion in their petition that its return and rates will be neither positively nor negatively impacted by the adoption of this accounting standard.

Further, ORS agrees with PNG that regulatory asset treatment of all costs associated with the adoption by PNG of FASB No. 143 is appropriate and that issues related to the actual recovery of such costs should be postponed at this time. ORS believes that the issue of PNG's recovery of costs associated with the implementation of FASB No. 143 would be more properly addressed in a future proceeding before the Public Service Commission ("PSC") in which the amortization of such costs or other recovery is sought by PNG.

While the ORS has no objection to the PSC approving the Petition of PNG in this matter, it does retain the right to audit and object to, or comment on, the impact resulting from the implementation of this change or any subsequent change in the company's return or rates charged to its consumers.

Please contact me at your convenience should you have any questions regarding the ORS position in this matter.

Yours Truly,

/s/ Jeffrey M. Nelson
Jeffrey M. Nelson

JMN/jea

cc: Scott M. Tyler, Esquire